



Directors

MONROE ABBEY, Q.C.
S. H. GIFFORD
S. M. KENNEDY
W. C. McNITT
THOMAS P. SNOWDEN
PAUL VEZINA

Officers

S. M. KENNEDY,
Chairman of the Board
THOMAS P. SNOWDEN,
President
W. C. McNITT,
Vice-President
PAUL VEZINA,
Vice-President
MONROE ABBEY, Q.C.,
Secretary
H. J. EVERTS,
Treasurer
NORMAN BORINS, Q.C.,
Assistant Secretary-Treasurer
S. H. GIFFORD,
Assistant Secretary-Treasurer
JAMES H. SMITH,
Comptroller

Transfer Agent and Registrar
MONTREAL TRUST COMPANY

Auditors

ARTHUR ANDERSEN & CO.,
Chartered Accountants

Banks

THE TORONTO-DOMINION BANK
THE ROYAL BANK OF CANADA

Solicitors

CROLL AND BORINS,
Toronto, Ontario

Head Office

195 BELFIELD ROAD,
REXDALE, ONTARIO



The President's Letter

TO THE SHAREHOLDERS:

Our fiscal year ended June 30, 1966 was one of change and progress for Monarch Fine Foods Limited. The steadily expanding consumer acceptance of Monarch products in all markets throughout the country is reflected in continued growth in sales and profits. With the assistance of our strong management board we look forward to the future with confidence.

SALES

Sales of Monarch Fine Foods Limited for the 52 weeks ended June 30, 1966, were \$14,010,990, up 10 per cent from the previous year when, for the 53 weeks reported, sales were \$12,736,009.

PROFIT

Net income for the fiscal year was \$672,598, an increase of 7.7 per cent from the previous year's \$624,491. Net income per share was 65.5 cents on the 1,026,128

shares outstanding, compared with 60.9 cents per share on the same number of shares outstanding last year.

INCOME TAXES

The Company revised its accounting for income taxes in the year ended June 30, 1966, to the method preferred by the Canadian Institute of Chartered Accountants. The net income for the year ended June 30, 1965, has been restated to reflect the change in the method



of accounting for income taxes, as described in Note 1 to the financial statements.

DIVIDENDS

The Company continued its policy of declaring dividends of 25 cents per common share, paid in two installments of 12½ cents each. Dividend payments for the year ended June 30, 1966 amounted to \$352,332.

WORKING CAPITAL

Current assets of the Company were \$3,841,624 at June 30, 1966, while current liabilities were \$1,380,768. Working capital was \$2,460,841 and the ratio of current assets to current liabilities was 2.99 to 1.

EXPANSION

As outlined in our earlier letter to shareholders, your Company has acquired the assets and organization of the Food Products Division of Drew Chemical Limited, Ajax, Ont. As an edible oil refiner supplying bulk oils and fats to the food processing industry, Drew

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H. A. COOPER,
Treasurer
MONROE ABBEY, Q.C.,
Attorney-in-Chairman
S. H. GIFFORD,
Attorney-Refineries Treasurer
ARTHUR H. SMITH,
Controller

Trustee, Agent and Registrar
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Refineries
DREW & BROWN,
Toronto, Ontario

Head Office
115 BELFIELD ROAD,
REEDSBURG, ONTARIO



The President's Letter

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The Company continued its policy of declaring dividends of 25 cents per common share, paid in two installments of 12½ cents each. Dividend payments for the year ended June 30, 1966 amounted to \$256,532.

WORKING CAPITAL

Current assets of the Company were \$3,841,609 at June 30, 1966, while current liabilities were \$1,280,768. Working capital was \$2,560,841 and the ratio of current assets to current liabilities was 2.99 to 1.

EXPANSION

As outlined in our recent letter to shareholders, your Company has acquired the assets and organization of the Food Products Division of Drew Chemical Limited, Ajax, Ont. As an edible oil refiner supplying bulk oils and fats to the food processing industry, Drew

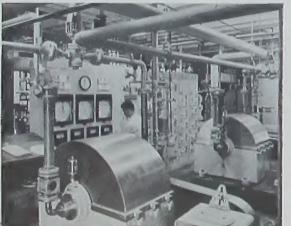


of accounting for income taxes, as described in Note 1 to the financial statements.

has earned an excellent reputation for producing specialty fats. This acquisition, which was completed September 23, 1966, will double Monarch's edible oil refining capacity and will allow us to increase greatly our market penetration in the bulk field.

OPERATIONS

At the Company's ultra-modern 80,000 square-foot plant in Rex-



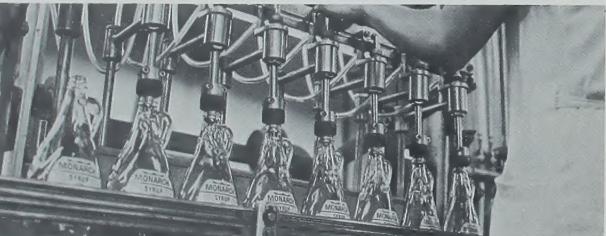
dale, new products and packaging have been smoothly incorporated into existing production facilities. The refinery is now operating at peak capacity on a round-the-clock basis.



In Vancouver, the 8,500 square-foot plant, which produces margarine for retail sale throughout the four Western Provinces has doubled its output to 120,000 pounds per week, reflecting increased sales in that territory.

In the Maritimes, where the ban on colored margarine was lifted some two years ago, sales have moved ahead briskly. Appointment of a Monarch sales agent at Halifax, N.S., and a full-time Monarch sales representative at Saint John, N.B., provides an effective sales program reaching all wholesale outlets in the three provinces.

During the past year, Monarch expanded its truck fleet to cover several south/central Ontario centres. The Company now maintains three trucks (two eight-ton and one five-ton) operating out of the headquarters plant as well as two nine-ton vehicles operating out of Montreal.



PRODUCTS AND PACKAGING

A carefully conceived program of product development and market diversification has been undertaken by your Company with a view to launching individual or families of products in areas of strong present and potential growth. In this

regard, the Company recently introduced a quartet of liquid salad dressings, in a move to capture a larger share of a recently burgeoning market for these items. New also is Monarch Buttercup Soft Margarine. The Company is test-marketing Monarch Blueberry Table Syrup and initial enthusiastic

acceptance points to nation-wide distribution this fall. Introduction of additional new products and lines will be based upon sound market and production research which, during 1966, was further broadened by addition of a full time

product researcher. The previously-stated policy of launching one new product a month proved impractical and has thus been changed in favour of a more restrained and potentially more profitable system of product expansion.

The stylized crown logo graces more and more Monarch packages, as well as the truck fleet, in the gradual changeover to the distinctive new look.

Monarch Margarine, Corn Oil Margarine and Shortening all appeared in the new design recently. New packages were also introduced for Cinammon Spread and Quick-Whip.

RESEARCH

Addition of a new research laboratory during the past year brings to three the number of labs conducting quality control and product research programs at Monarch.



Four chemists and eight technicians are now employed full-time in the execution of these vital programs. One full-time chemist joined our staff during the past year exclusively to conduct new product research. The Company's research programs continue to be financed on a "pay-as-you-go" basis.



OUTLOOK

Monarch Fine Foods Limited anticipates a year of continued steady growth. The challenge of the future will arise from the need to broaden further our product lines, coupled with constant awareness both of available markets and maximum efficiency of plant operations. Your management is confident that market and product research programs already initiated, together with aggressive sales and advertising methods, will fulfill both of these requirements.

APPRECIATION

The past year saw the retirement of Joseph McNeil whom we thank

for his years of service to the Company. Throughout this year of growth and change, your management has been strengthened by the support and enthusiasm of customers, shareholders, suppliers and employees. To each go our sincere thanks for their contribution to the continued prosperity of Monarch Fine Foods Limited.

THOMAS P. SNOWDEN,
President

September 15, 1966.

Monarch Fine Foods Limited

BALANCE SHEETS — JUNE 30, 1966 AND 1965

ASSETS			LIABILITIES		
	1966	1965		1966	1965
CURRENT ASSETS:			CURRENT LIABILITIES:		
Cash	\$ 96,131	\$ 22,490	Accounts payable	\$ 830,777	\$ 441,109
Bank deposit receipts	900,000	600,000	Accrued compensation and other expenses	154,364	183,205
Accounts receivable	920,842	848,256	Income taxes payable	295,627	273,858
Inventories, at the lower of cost (first-in, first-out) or market	1,803,964	1,329,831	Total current liabilities	\$1,280,768	\$ 898,172
Prepaid expenses	120,672	109,593			
Total current assets	\$3,841,609	\$2,910,170	DEFERRED INCOME TAXES (Note 1)	\$ 516,614	\$ 486,000
PLANT AND EQUIPMENT, at cost	\$3,842,976	\$3,733,611	CAPITAL STOCK AND EARNED SURPLUS:		
Less — Accumulated depreciation	1,168,458	956,930	Capital stock (Note 2) —		
	\$2,674,518	\$2,776,681	Authorized, 1,500,000 common shares without par value;		
	\$6,516,127	\$5,686,851	Outstanding, 1,026,128 shares in 1966 and 1965	\$ 164,850	\$ 164,850
			Earned surplus	4,553,895	4,137,829
				\$4,718,745	\$4,302,679
				\$6,516,127	\$5,686,851

Monarch Fine Foods Limited

STATEMENTS OF INCOME AND EARNED SURPLUS

For the Years Ended June 30, 1966 and 1965

	1966	1965
INCOME		
SALES	(52 Weeks)	(53 Weeks)
	\$14,010,990	\$12,736,009
COST OF SALES	10,625,970	9,669,474
	\$ 3,385,020	\$ 3,066,535
Gross profit	2,054,534	1,810,490
SELLING, DELIVERY AND ADMINISTRATIVE EXPENSES	Operating income (after depreciation of \$211,528 in 1966 and \$206,024 in 1965)	\$ 1,330,486
	31,781	\$ 1,256,045
OTHER INCOME	31,781	20,275
Income before income taxes	\$ 1,362,267	\$ 1,276,320
INCOME TAXES (Note 1)	689,669	651,829
Net income for the year	\$ 672,598	\$ 624,491
EARNED SURPLUS		
	1966	1965
BALANCE BEGINNING OF YEAR (Note 1)	\$ 4,137,829	\$ 3,769,233
NET INCOME FOR THE YEAR	672,598	624,491
	\$ 4,810,427	\$ 4,393,724
DIVIDENDS — 25¢ per share	256,532	255,895
BALANCE END OF YEAR (Note 1)	\$ 4,553,895	\$ 4,137,829

The accompanying notes are an integral part of these financial statements.

Monarch Fine Foods Limited

STATEMENT OF FUNDS

For the Years Ended June 30, 1966 and 1965

	1966	1965
SOURCES OF FUNDS:		
Net income for the year	\$ 672,598	\$ 624,491
Depreciation	211,528	206,024
Deferred income taxes	30,614	107,140
Proceeds from disposal of property	—	5,075
Proceeds from sale of capital stock	—	16,250
	\$ 914,740	\$ 958,980
DISPOSITION OF FUNDS:		
Purchases of plant and equipment	\$ 109,365	\$ 79,403
Dividends paid	256,532	255,895
	\$ 365,897	\$ 335,298
Increase in working capital	\$ 548,843	\$ 623,682

The accompanying notes are an integral part of these financial statements.

AUDITORS' REPORT

To the Shareholders,
Monarch Fine Foods Limited:

We have examined the balance sheets of MONARCH FINE FOODS LIMITED (an Ontario corporation and a subsidiary of Consolidated Foods Corporation, Chicago, Ill.) as of June 30, 1966 and 1965, and the related statements of income, earned surplus and funds for the years then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheets and statements of income, earned surplus and funds present fairly the financial position of Monarch Fine Foods Limited as of June 30, 1966 and 1965, and the results of its operations and the sources and disposition of funds for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis after giving retroactive effect to the change in accounting for deferred taxes, as explained in Note 1 to the financial statements.

ARTHUR ANDERSEN & CO.,
Chartered Accountants.

Toronto, Ontario,
August 12, 1966.

Monarch Fine Foods Limited

NOTES TO FINANCIAL STATEMENTS

June 30, 1966

1. DEFERRED INCOME TAXES

The Company claims depreciation for income tax purposes at maximum rates allowable but provides depreciation for book purposes based on the estimated useful life of the plant and equipment. In years prior to 1966, the income tax provision was based on the amount payable in the current year after claiming depreciation for tax purposes.

The Company changed its method of accounting for income taxes in 1966 so that the provision is based upon the depreciation recorded in the books. The portion of the 1966 provision which is currently payable amounts to \$659,055. The difference of \$30,614 which is deferred, results from claiming for income tax purposes an amount greater than the depreciation recorded in the accounts. This difference is applicable to those future periods in which the amounts claimed for tax purposes will be less than the depreciation recorded in the accounts and is accordingly included in the balance sheet as Deferred Income Taxes. The accumulated amount by which income taxes have been reduced in this and prior years is \$516,614.

The 1965 statements have been restated to reflect the above change in accounting, resulting in the following changes:

	Earned Surplus			
	Income Tax Provision	Net Income for the Year	End of Year	Beginning of Year
As reported before restatement	\$ 544,689	\$ 731,631	\$4,623,829	\$4,148,093
Deferred income taxes applicable to 1965	107,140	(107,140)	(107,140)	—
Deferred income taxes applicable to the years prior to 1965	—	—	(378,860)	(378,860)
As restated	\$ 651,829	\$ 624,491	\$4,137,829	\$3,769,233

2. STOCK OPTIONS

The Company has a balance of 3,872 common shares reserved to satisfy options at \$6.25 per share to be granted to certain employees. During the current year, no options were exercised.

3. CONTINGENT ASSET

The Company has a suit pending in the Exchequer Court of Canada for recovery of sales tax paid in prior years in the amount of \$541,036. In addition, sales tax of \$191,909 has been paid under protest during the current year pending the hearing of this suit. This claim is contested by the Crown, and no recognition has been given in the financial statements to the possible recovery of sales tax.

4. INTERCOMPANY TRANSACTIONS

Transactions with affiliated companies during the year were negligible.

5. EVENT SUBSEQUENT TO COMPLETION OF AUDITORS' EXAMINATION

On September 23, 1966, the Company acquired the inventories and the land, buildings and equipment comprising the edible oils refinery of Drew Chemical Limited at Ajax, Ontario.

PRODUCT IDENTIFICATION

New and established Monarch products display the distinctive new bottle approach, distinguished by the name Monarch logo — the golden Monarch crown.



Monarch Fine Foods Limited

NOTES TO FINANCIAL STATEMENTS

June 30, 1965

1. DEFERRED INCOME TAXES

The Company claims depreciation for income tax purposes at maximum rates allowable but provides depreciation for book purposes based on the estimated useful life of the plant and equipment. In years prior to 1965, the income tax provision is based on the amount payable in the current year after claiming depreciation for tax purposes.

The Company changed its method of accounting for income taxes in 1965 so that the provision is based upon the depreciation recorded in the books. The portion of the 1965 provision relates to amounts payable amounts to \$699,000. The difference of \$30,614 which is deferred, results from claiming for tax purposes an amount greater than the depreciation recorded in the accounts. This difference is applicable to prior years to the extent which the amounts claimed for tax purposes are greater than the depreciation provided in the accounts. This amount is included in the balance sheet as Deferred income taxes. The accumulated amount by which income taxes have been deferred in this and prior years is \$516,614.

The 1965 statements have been restated to reflect the change in accounting, resulting in the following changes:

	Estimated Statement			
	Income Tax Provision	Net Income for the Year	Ends of Year	Reserves of Tax
As reported before restatement	\$ 544,689	\$ 731,631	\$4,563,829	\$4,148,000
Deferred income taxes applicable to 1965	107,140	(107,140)		
Deferred income taxes applicable to the years prior to 1965				
As restated	\$ 651,829	\$ 624,491	\$4,137,629	\$3,990,000

2. STOCK OPTIONS

The Company has a balance of 3,872 common share options or salary options at \$6.25 per share to be granted to certain employees. During the current year, no options were exercised.

3. CONTINGENT ASSET

The Company has a suit pending in the Exchequer Court of Ontario for recovery of sales tax paid in prior years in the amount of \$743,036. In addition, sales tax of \$191,909 has been paid since April during the current year pending the hearing of this suit. This claim is reflected by the Credit and an allowance has been given in the financial statements to the possible recovery of sales tax.

4. INTERCOMPANY TRANSACTIONS

Transactions with affiliated companies during the year were negligible.

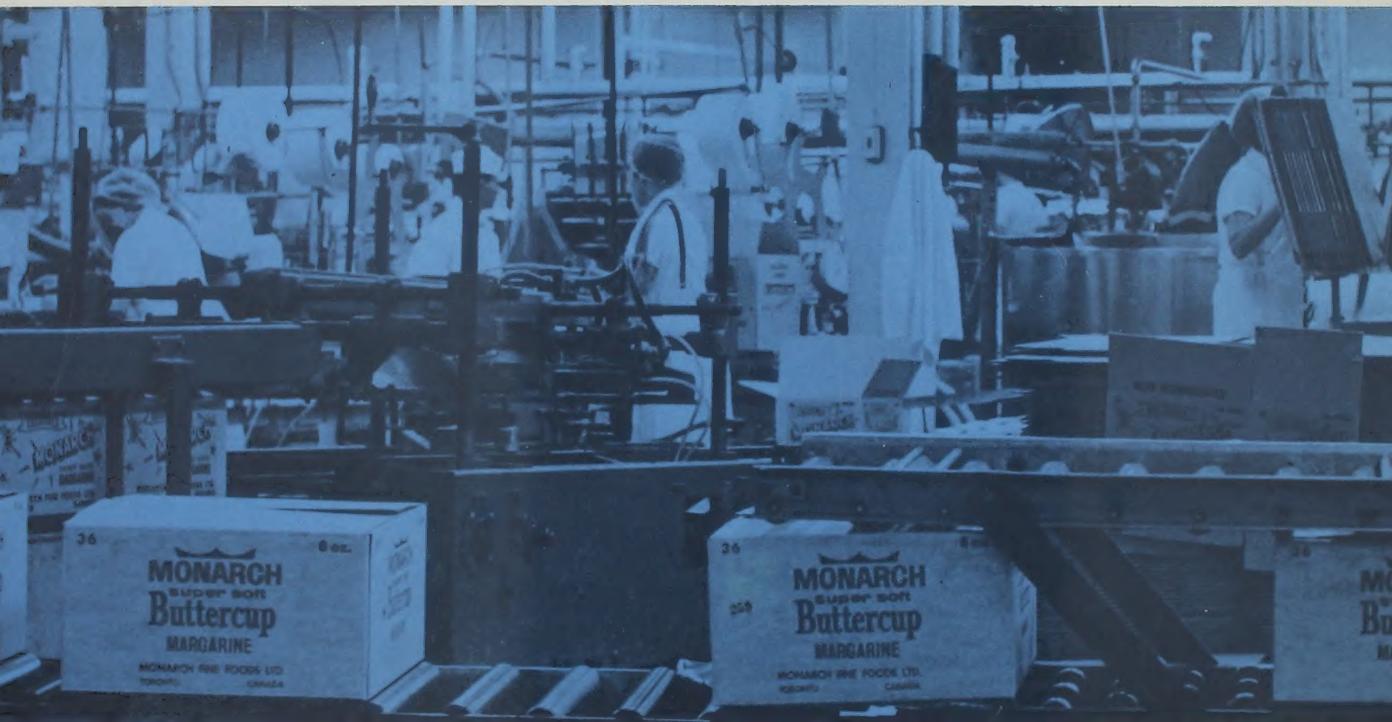
5. EVENT SUBSEQUENT TO COMPLETION OF AUDITORY EXAMINATION

On September 23, 1965, the Company acquired the fixtures and the land, buildings and equipment comprising the infinite oils refinery of Dyne Chemical Limited at Rock, Ontario.

PRODUCT IDENTIFICATION

New and established Monarch products display the distinctive new packaging approach, highlighted by the new Monarch logo — the graceful stylized crown.





MONARCH FINE FOODS LIMITED • 195 BELFIELD ROAD, REXDALE, ONTARIO, CANADA